

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
SEPTEMBER 23, 2021**

The regular meeting of the Retirement Board of Trustees was held in the Metropolitan Council Chambers at 222 St. Louis Street, and was called to order at 10:00 a.m. by Board Chairman Ms. Marsha Hanlon. Members present: Mr. Mark LeBlanc, Mr. Brian Bernard, Mr. David West, Chief Britt Hines, and Lieutenant Matt Johnson. Absent: Mr. J. Daniels. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel, Mr. John Williams – Mayor's Office, Mr. Joe Toups – Council Budget Office, Ms. Sharon Campbell, and Ms. Debbie McClure – Finance Department, Mr. Pat Guidry – IS, and Mr. Cary Cashio – DPW.

Mr. Drago formally called the roll.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of August 26, 2021, and from the Investment Committee meeting of September 15, 2021, and called for a motion.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to suspend the reading of, and approve the minutes of the regular meeting of August 26, 2021 and of the Investment Committee meeting of September 15, 2021 as presented.

No discussion and no objections.

Motion passed by those members present, with the exception of Ms. Hanlon abstaining relative to the August 26, 2021 regular meeting minutes.

There were no items to address under Item 2, Disability.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Yates to present the report. Mr. Yates stated that there was nothing unusual on the report, and that the report was in order as presented.

Motion by Mr. LeBlanc, seconded by Mr. West to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman then moved to Item 5, Consultants' Reports, and under Item 5A, Status on Pending Legal Matters, recognized Ms. Akers for her legal update report. Ms. Akers stated she had outlined the status of each of the securities litigation matters outstanding, and highlighted the most recent changes. In the MacroGenics suit there was no change, with all parties waiting on the ruling on the motion to dismiss. In the GreenSky litigation she noted that the notice of settlement had been sent out, and that we are still waiting on the final approval hearing. Regarding the Impinj case, she stated that the court had granted the motion to distribute the settlement proceeds, and that CPERS was still waiting to receive its pro-rata share of the proceeds soon. In the Energy Transfer case, the discovery stage was continuing, with Mr. Yates providing documentation requested by the attorneys. We also filed the opening motion to certify the case as a class action lawsuit. In the Merritt Medical case, Ms. Akers recommended going into executive session to discuss this matter. In order to avoid inconveniencing the meeting attendees, it was agreed to call the executive session near the end of the meeting. Regarding the advertisement for the Retirement Administrator position, Ms. Akers stated that neither she nor Mr. Yates had received any responses yet, and that she had circulated the announcement directly to some retirement systems and individuals in hope of generating more interest. She expressed concern regarding the current level of pay for the position, and she contrasted it with other state and statewide retirement systems in Louisiana, showing the disparity in the salary levels compared to CPERS. She discussed the current pay range (2320) for the Retirement Administrator's position, which tops out at \$112,000+, as well as range 2340 and 2360, which top out at \$123,000+ and \$135,000+ respectively. Ms. Akers also stated that she had called Ms. Ashley Beck and Councilman Dwight Hudson to sponsor a resolution to increase the pay for the Retirement Administrator. Ms. Beck responded that any proposal would have to be approved and co-sponsored by Human Resources. Ms. Akers noted that two actions may be necessary; one to increase the pay range for the position, and the other to allow a 2-month overlap for the position for training purposes. She noted the reasons for the overlap, with Mr. Yates having been Administrator for so many years, and with Mr. Smith retiring tomorrow after an entire career with CPERS. Ms. Akers recommended to the Board that a resolution be drafted to allow for the increased overlap period in hopes that Human Resources would co-sponsor it for action by the Metro Council. She also strongly recommended that the pay be increased for the position of Retirement Administrator. Mr. Bernard stated that he had no issue with the 2-month overlap for the

position, and he thought that could be accomplished. Regarding the salary issue, he understood that the Board would need to make a specific recommendation for a targeted pay range. Ms. Akers stated that Councilman Hudson had also recommended the Board seek a specific pay range rather than putting the matter in front of the Council for discussion. She recommended requesting the highest range in the City-Parish budget of 2380, which starts at \$86,000+ and tops out at \$149,000+. Mr. Bernard noted that the top positions within the City include the Mayor and the Chief Administrative Officer. He stated that he recommended making a job offer in hope that the current pay range was sufficient, but if not, make the offer and then pursue a higher pay range, perhaps even after the job acceptance. He cautioned the Board about making an offer at the highest level possible when that may not be necessary. He stated that if the Board passes a motion to recommend a certain pay range, he would not go against the will of the Board, and would co-sponsor the resolution. Ms. Akers stated that if the resolution was sent to Ms. Beck by October 7th at noon, it could go before the Metro Council for introduction on October 13th and for public hearing on October 27th. Mr. Bernard noted that even if he co-sponsors a resolution, the administration makes the decision whether or not an item is placed on the agenda. Mr. John Williams cautioned the Board about moving too far in this process until he and the Mayor can meet with Mr. Bernard to see what the Mayor would support. There was a brief discussion concerning how the Airport Director's pay grade was changed when a new director came was hired. Mr. LeBlanc suggested moving forward with approval for up to pay range 2380. He noted that the Board should be able to act independently in these matters. Ms. Akers stated that in her opinion, the Board did not have to use the City's process to fill this position, based on an Attorney General's opinion, since CPERS' funds were not public funds. She noted that the Board had expressed a preference to adhere to the hiring practices of the City-Parish. Mr. LeBlanc noted that the year-end was fast approaching and the process should be moving forward. Mr. West stated that there was not enough time to complete the process that had been laid out, and that he did not agree with what the Board was doing, and he would not support it. Ms. Hanlon stated that she supported raising the pay of the Retirement Administrator to be more commensurate with other administrators. She noted that the various directors in DPW were at range 2360, and that if the City had had to replace her position when she left, they would have had to increase the pay range to attract someone from outside the City-Parish membership. She noted that she would support range 2360 for the Retirement Administrator position. Discussion continued regarding the various pay ranges that could be proposed. Ms. Akers noted that if the pay were increased, she believed there would be several local people that would express an interest.

Motion by Mr. LeBlanc, seconded by Ms. Hanlon to proceed with increasing the Retirement Administrator's pay to pay range 2360, contingent on Ms. Akers working with Mr. Bernard and the Mayor's Office for support to accomplish this goal.

No discussion but seeing an objection, the chairman called for a roll-call vote.

Chief Hines	Yes
Mr. LeBlanc	Yes
Ms. Hanlon	Yes
Lt. Johnson	Yes
Mr. West	No
Mr. Bernard	Abstain

Motion passed by 4 yeas, with 1 nay, and 1 abstention.

With time running short for filling the position, Ms. Akers mentioned that attorney Bob Klausner had recommended advertising in Pension & Investment magazine to further get the word out about the job vacancy. Mr. West also noted that AndCo had put forth an offer to increase their services. Mr. Yates agreed that AndCo could step up their services to the System just below that of OCIO, either on a temporary basis to bridge a gap, or on a permanent basis. This might include such services as negotiating investment manager contracts, rebalancing the portfolio, and processing bank wires if needed.

Motion by Mr. Bernard, seconded by Mr. LeBlanc to approve a resolution that upon hiring a candidate for the Retirement Administrator, the budget allotment will be amended to allow for a 2-month overlap for that position to allow for training.

No discussion and no objections.

Motion passed by those members present.

The chairman then moved to Item 6, Committee Reports, and under 6B, Investment Committee, called on Mr. LeBlanc for his report. Mr. LeBlanc stated that the Investment Committee had met on September 15, 2021 to interview two hedge fund firms to replace Magnitude Capital. The two firms were Evanston Capital Management and Corbin Capital Partners. He noted that both firms seemed well qualified for the allocation, but Evanston had a longer track record of positive gains, with no negative rolling 3-year periods of loss, plus the fact that the firm is 100 percent employee owned. Evanston's Weatherlow fund is about \$4.3 billion in assets under management. Mr. LeBlanc stated that the committee voted unanimously to hire Evanston to assume the hedge fund-of-funds allocation in the CPERS portfolio. Mr. West noted that the committee, the staff, and AndCo believed Evanston was an excellent choice, and that the idea of splitting the allocation was discussed, but in the end the two firms were so similar that splitting the allocation would not have served any purpose.

Motion by Mr. LeBlanc, seconded by Mr. West to hire Evanston Capital Management (Weatherlow Fund) to manage the hedge fund-of-funds allocation currently being managed by Magnitude Capital, pending successful contract negotiations.

Under discussion Mr. West noted that this move was the last piece of the portfolio allocation puzzle as proposed by AndCo.

There were no objections to the motion.

Motion passed by those members present.

Moving to Item 7, Staff Reports, the chairman noted that under Item 7C, there were invoices from the Law Office of Akers & Wisbar, and the chairman called for a motion.

Motion by Mr. LeBlanc, seconded by Lt. Johnson to approve payment for the charges to the law firm of Akers & Wisbar as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7D there was an invoice from the Law Office of Tarcza & Associates, and the chairman called for a motion.

Motion by Mr. West, seconded by Mr. LeBlanc to approve payment for the charges to the law firm of Tarcza & Associates as presented.

No discussion and no objections.

Motion passed by those members present.

Under 7F, there were a number of investment manager/consultant invoices for the Board's review.

Under 7G, Cash Activity Report, Mr. Drago presented the cash flow report and the budget comparison report and stated that these reports were for the Board's information.

The chairman then moved to Item 8, Unfinished Business, and under Item 8A, Discussion and Consideration of Retirement Ordinance Language Relative to Plan Tax Qualification Requirements, Ms. Akers stated that she included in the legal packet some five highlighted items about which some questions had been raised when putting together the actual ordinance amendment language. The first point pertained to members who violate their DROP contract by not severing service at the end of the DROP participation period, and who forfeit their interest which would have been earned had they severed service. The question is whether or not these members should begin earning interest from the date of DROP contract violation to the date they actually terminate employment or turn age 59 ½. These are the members who expected to have their DROP accounts disbursed to them upon violation of the DROP contract. There was a brief discussion relative to a police member who was recently paid his DROP balance after violating his contract, however Mr. Smith noted that his age was above the required age for a distribution without 72(t) penalties. Ms. Hanlon noted that in following the DROP contract, this situation would correct itself within 5 years as everyone's contract would expire, the same as the return-to-work retirees that are under the age of 59 ½. Ms. Akers noted that there was a tension between the restriction against paying an in-service distribution from DROP and the wording of the DROP contract. She noted that the paying out of the DROP balance was intended as a penalty. Ms. Hanlon noted that for new DROP contracts, the inability to receive a payout on the DROP termination date would be a further penalty. The question was what to do regarding the members currently on DROP who do not sever employment at the end of DROP. Mr. Tarcza was consulted regarding what to do when contractual terms conflict with qualified plan requirements. The discussion centered on whether or not some rate of interest should be paid to these members, considering their expectation of rolling out the DROP funds at the end of DROP. She noted that Mr. West had asked her to consult with the actuaries to see if there was an actuarial impact to the System to if the procedure gets changed. The response was negative since the DROP funds would stay with the System. Mr. Yates asked Ms. Akers which argument she was more comfortable making between honoring the terms of the contract and conforming to the qualified plan requirements pertaining to in-service distributions. Ms. Akers stated that she could argue the more punitive DROP provisions (no distribution until termination of employment or attainment of age 59 ½), but she acknowledged this could create litigation costs if the affected members filed suit. If the System paid interest on DROP after contract violation, it may lessen the chance of litigation from those members. She noted that Mr. Tarcza agreed that the risk of being cited for an IRS violation on this matter was minimal. Ms. Hanlon stated that she supported honoring the DROP contracts currently in place, but for new contracts signed after the effective date of the ordinance changes, the members would know going in that a distribution could not be made until termination of employment or attainment of age 59 ½. Chief Hines stated that he favored honoring the qualified plan rules against in-service distributions, but also accommodating the DROP members who anticipate getting receipt of their DROP balance at DROP terminations date, but will not be able to because of IRS rules. This accommodation would include paying these members interest on the DROP balance while the funds are on deposit with CPERS. Chief Hines noted that the number of members staying past DROP is very minimal, with possibly only 5 members doing so in the next 5 years within the BRFD. He also noted that the System would continue to retain the DROP funds and possibly earn investment revenues from those funds. He acknowledged that members who have not entered DROP yet would know their DROP funds would sit idle

if they stayed on full-time following DROP participation. He agreed that if interest is paid while the funds are with CPERS, the likelihood of a lawsuit would decrease. Mr. Bernard stated that even if CPERS pays interest on those members' DROP deposits, the current DROP contract would be violated because CPERS would not be paying the funds out to the member. Chief Hines stated that he saw the payment of interest as a happy medium between enforcing the rules as conveyed by Bob Tarcza and abiding as close as possible to the terms of the DROP contract. Ms. Hanlon stated that this would be brokering a compromise between strict adherence to plan qualification rules and adherence to the DROP contract.

Motion by Chief Hines, seconded by Mr. West to allow current members with DROP contracts, in the event they stay past DROP ending date, to not get a disbursement, but to be able to earn interest on DROP deposits while the member does not have access to the funds.

Under discussion Mr. Bernard asked about members who may have a divorce agreement that includes a financial settlement with the former spouse on a date anticipated to be the DROP ending date, but because of ordinance amendments that date cannot be honored. Ms. Akers stated that only a court order can obligate the System to pay an alternate payee, and if the member is paid interest until he/she terminates employment or reaches age 59 ½, the alternate payee would share in that interest.

Ms. Hanlon objected to the motion based on her opinion that the current DROP contracts should be honored. Mr. LeBlanc also objected to the motion. The chairman called for a roll-call vote but the motion was concluded as 2 objections to 4 in favor of the motion:

Motion passed by a majority of votes.

A brief discussion continued regarding the prior motion, and Ms. Akers noted that there was a majority of the Board who favored a DROP member not getting a distribution upon violation of the DROP contract, but there was no a majority of the Board who favored that member being able to earn interest on the DROP deposits while those deposits remained with the System. She recommended taking the matter in two separate motions. Mr. Bernard then asked for reconsideration of the previous motion. The chairman stated that since there were now 3 objections to the motion that it failed for lack of a majority of votes. Therefore the prior motion to forbid the distribution of DROP at time of DROP contract violation, but to pay interest on those DROP deposits failed for lack of a majority.

Motion by Ms. Hanlon, seconded by Mr. LeBlanc to continue to honor the current DROP contracts regarding distributions for violation of the contract, but that new DROP contracts effective after the adoption of amendments to the Retirement Ordinances by the Metro Council would prohibit distributions of DROP accounts for contract violators until termination of employment or attainment of age 59 ½.

No discussion and one objection by Chief Hines.

Motion passed by a majority of those members present.

Ms. Akers continued with her list of unresolved items, which included whether or not there should be any exceptions to the 6-month waiting period before a retiree is rehired. She noted that the proposed language did allow for exceptions to the limitation of a 1-year re-employment period, but not to the 6-month waiting period, and that the Mayor wanted to be involved in determining the exceptions. Mr. John Williams stated that the Mayor's concern was that of returning to the norm for allowing retirees to return to work as opposed to enforcing the ordinance changes. She expressed a desire to know what exceptional circumstances were being considered because of how those can vary between departments. Ms. Hanlon read off a list of exceptions that had been previously discussed, and Ms. Akers noted those exceptions were established in determining if retirees should be rehired, and she noted that the decision, as currently written, allowed the Metro Council to make that determination. She suggested allowing the Mayor to have a say in the determination. Ms. Akers stated that sometimes it may be preferred to not define the exceptions too restrictively because some exceptions may not be known until they occur. Ms. Akers again asked for clarification on exceptions to the 6-month waiting period. Mr. Bernard noted that a retired member could return to service on a full-time basis, which would be apart from these part-time return-to-work rules. Ms. Akers asked if anyone wished to add an exception to the 6-month waiting period. There was no response.

Ms. Akers' next issue to be clarified was whether or not a member who returns to work and is receiving a monthly pension is allowed to receive funds from the DROP, and the consensus was that if the member had access to the pension, he/she would have access to DROP, as supported by statements from Bob Tarcza. The next issue was whether the employer should report return-to-work member earnings on a quarterly basis or an annual basis, and with no objections from Board members, Ms. Akers stated that she would word the language to require quarterly reports from employers for all return-to-work members regardless of age. She stated that she had circulated her ordinance amendments to Ms. Hanlon, Mr. Yates, and Mr. Smith, and that based on the actions today she would update the language and send it to whoever requested it, and then to the tax counsel and the actuary, as well as the Mayor's Office and Ms. Kim Brooks of the Parish Attorney's Office for review. It was suggested that it be sent to the entire Retirement Board. Ms. Hanlon noted other changes such as amending language to allow the employer contribution rates to be paid for DROP members, and the language referencing age 70 ½ which has now been changed by the federal government. At Ms. Hanlon's request, Ms. Akers stated that she would send these changes out with the entirety of the ordinances to be amended, rather than just the sections containing the amendments.

The chairman then moved to Item 8B, discussion of Retirement Ordinance Language Amendment

Regarding Age Penalty, and noted that this item would be deferred until the next meeting.

Moving to Item 9, New Business, the chairman introduced Item 9A, Discussion and Consideration of Retirement Office Reorganization Plan, and recognized Mr. Yates for his comments. Mr. Yates stated that both he and Mr. Smith had announced their retirements, which created a potential for a void in the Retirement Office. In an effort to minimize the impact of the departures in a 12 person office, he stated that a succession plan was developed that would elevate the positions of Financial Manager and Benefits Manager in duties and pay, to absorb some of the duties of the Assistant Retirement Administrator. This would also give the new Retirement Administrator two supporting job positions, both of which have many years of Retirement System experience. These changes would also allow for the creation of a Chief Benefits Analyst to absorb duties of the Benefits Manager. He noted that these changes would make it unnecessary to continue to have an Assistant Retirement Administrator position. These changes would actually create a budgetary savings. Mr. Yates stated that he was proposing that the two assistant positions would be classified, and it was noted that the current position of Assistant Retirement Administrator was unclassified. He noted that the Board does have other options such as having the new Administrator appoint the Assistant Administrator, or the Board could hire anyone on a contract basis and offer benefits or no benefits. He stated that his succession plan would be an expedient way to provide the new Administrator with two knowledgeable assistants for most any issue that would arise. Mr. West stated that the Board had the tools it needs, such as AndCo stepping up its services, which could be part of the solution. He stated that he did not like the civil service changes and the reallocation changes coming right at the end of the budget process, especially when this was announced back in June. He further stated that he could not get onboard with the succession plan for the same reason he could not endorse the Administrator's raise in pay, and that the Board has the tools and has flexibility, but is hampering itself. He stated that the Board was not going to meet the deadline for Mr. Yates' departure, and that the Board should be taking action toward Plan B and Plan C because the Board does have latitude. Lt. Johnson stated that if the Board is bringing on someone new, he thought that person should design the office the way they want, similar to the way the BRPD has done. Chief Hines stated that he favored the succession plan, and that even if Mr. Smith was not leaving, the plan would ensure that there would be two assistants that could handle most any situation in the absence of an administrator, and what could not be handled in-house could be handled by the consultants. The chairman stated that seeing no motions on this matter, the Board would move on to the next item. Before moving on, Chief Hines offered up a motion.

Motion by Chief Hines to approve the succession plan with the two Assistant Administrators as presented by Mr. Yates, but including the Retirement Administrator pay recommendation of range 2360.

Motion failed for lack of a second.

Under Item 10, Administrative Matters, it was noted that the Retirement Office building had not experienced any damage from Hurricane Ida. Mr. Yates then asked the Board to think about an issue that had recently arisen. He stated that the DA's building that once housed the division of Family Law had been renovated for use by the Arts Council. During the construction, the workers took over the lot just south of the Retirement Office; a parking lot that CPERS has owned and rented out spaces in for years. He noted that the construction equipment had broken the surrounding sidewalks, but those got repaired recently, however the paid parking clients got displaced until the construction was completed. Now the employees of the Arts Council are seeking to park in that lot, although almost all the spaces are currently rented. He asked the Board to think about the situation, and whether or not they may want to sell the entire lot or try to rent as many spaces as possible to the Arts Council. He noted that the property does generate some income for CPERS, but that CPERS has to act as landlord and track the payments and delinquencies in payments for all the renters. The chairman asked the Board members to consider the options, and also mentioned that the new Retirement Administrator may help to determine the best use of the property.

The chairman then continued with Item 11, Police Guarantee Trust Matters, and under Item 11A, PGT Benefits Report, recognized Mr. Yates who stated that there were no items on this month's report.

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

Under Item 11C, Consultants' Reports, there were no items to address.

There were no investment manager invoices under Item 11D.1 for the Board's review.

Under Item 11D.2, PGT Cash Activity Report, Mr. Drago presented the cash activity report and the budget comparison report.

Under Item 11E, there were no matters for consideration.

Under Items 11F Unfinished Business, and 11G, there were no matters to address.

Seeing no further items on the agenda, the chairman reminded the Board of a legal item that needed to be addressed in executive session, and called for a motion to go into executive session.

Motion by Mr. West, seconded by Mr. LeBlanc to go into executive session at 11:44 a.m.

No discussion and no objections.

Motion passed by those members present.

Regular session resumed at 11:53 a.m., and the chairman called for a motion.

Motion by Mr. LeBlanc, seconded by Mr. West to authorize legal counsel and securities counsel to proceed with the settlement in the Merritt Medical securities litigation as recommended by legal counsel BLB&G.

No discussion and no objections.

Motion passed by those members present.

Mr. Bernard asked about the issue of advertising the Retirement Administrator position in Pension & Investments magazine. Ms. Akers stated that an ad had been posted in the NASRA publication, the NAPPA publication, the Louisiana Association of Public Employee Retirement Systems, Bob Tarcza and Bob Klausner (for distribution to the retirement systems they work with), both securities litigation law firms (for distribution to their clients), and to about 20 individuals known by Ms. Akers that may have an interest. Mr. Bernard added that it was posted on the City's website which connects to LinkedIn and some other resources. Ms. Akers noted that according to Bob Klausner, there are many systems currently seeking directors, and it is difficult to recruit at this time.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to advertise in Pension & Investment Magazine for CPERS' position of Retirement Administrator.

No discussion and no objections.

Motion passed by those members present.

Motion by Mr. West, seconded by Mr. LeBlanc to adjourn the meeting at 11:59 a.m.

No discussion and no objections.

Motion passed by those members present.

MARSHA HANLON
CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR